

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 AGRE-00 PA-02 PRS-01 /097 W

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 5384

INFO AMCONSUL HONG KONG

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HONG KONG FOR REGFINATT

E.O.: NA

TAGS: ETRD, EGEN, KS

SUBJECT: KOREA'S COMMODITY EXPORT PERFORMANCE AT MID-YEAR

1. AMONG THE LARGE ARRAY OF ECONOMIC INDICATORS RELEASED PERIODICALLY BY THE KOREAN GOVERNMENT, NONE RECEIVES CLOSER SCRUTINY FROM PLANNERS AND POTENTIAL CREDITORS THAN THE EXPORT PERFORMANCE COLUMN. THIS REFLECTS THE PIVOTAL IMPORTANCE OF EXPORTS AS A BAROMETER OF KOREA'S OVERALL ECONOMIC WELL-BEING.

2. ACCORDING TO PRELIMINARY FIGURES JUST RELEASED BY THE BANK OF KOREA, COMMODITY EXPORTS THROUGH THE FIRST SIX MONTHS OF 1977 (ON A CUSTOMS CLEARANCE BASIS, F.O.B.) TOTALLED \$4,497.9 MILLION, I.E. JUST ABOUT 45 PERCENT OF THE \$10 BILLION TARGET FOR THE YEAR AS A WHOLE.

2. THIS IS NOT INCONSISTENT WITH ACHIEVEMENT OF THE TARGET. EXPORT PERFORMANCE TYPICALLY PICKS UP SOMEWHAT DURING THE SECOND HALF OF THE YEAR. IN 1976, FOR
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EXAMPLE, THE COMMODITY EXPORT TOTAL AT THE MID-YEAR POINT WAS 44 PERCENT OF THE EVENTUAL YEAR-END FIGURE.

4. ONE MILDLY TROUBLESOME FEATURE OF THE PRESENT SITUATION IS THE CONTINUED SLOW PACE OF EXPORT L/C (LETTER OF CREDIT) ARRIVALS. THEY DROPPED SHARPLY FROM APRIL TO MAY AND REMAINED AT A DEPRESSED LEVEL

IN JUNE. THIS NORMALLY POINTS TO A SLACK EXPORT PERFORMANCE DOWN THE ROAD, AND THE TREND WILL HAVE TO BE REVERSED FAIRLY EARLY DURING THE LATTER HALF OF THE YEAR IF THE \$10 BILLION TARGET IS TO BE REACHED. IN VIEW OF THE SYMBOLIC IMPORTANCE OF THIS PARTICULAR TARGET, HOWEVER, ROKG CAN BE COUNTED ON TO EXERT SPECIAL EFFORT TO ENSURE THAT IT IS, AND AT THIS POINT, PROSPECTS STILL LOOK FAVORABLE.

5. TO ROUND OUT THE CURRENT BALANCE OF PAYMENTS PICTURE AT THE MID-YEAR POINT, PRELIMINARY FIGURES SHOW IMPORTS (ON A CUSTOMS CLEARANCE BASIS, C.I.F.) AT \$5,068.0 MILLION; INVISIBLE RECEIPTS AT \$1,476.7; AND INVISIBLE PAYMENTS AT \$1,078.1. NET RESULT IS A MID-YEAR CURRENT ACCOUNT DEFICIT OF \$171.5 MILLION. IF EXPORTS PICK UP DURING THE LATTER HALF OF THE YEAR, WE CONTINUE TO SEE A MODEST CURRENT ACCOUNT SURPLUS BY YEAR'S END.
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